



Financial Literacy and Education Commission Meeting

Thursday, May 20, 2004
10:30 AM

U.S. Department of the Treasury
Cash Room

Meeting Transcript

The Commission met at 10:30 a.m. in the Cash Room of the Department of the Treasury, 15th and Pennsylvania Avenue, NW, Washington, D.C., Wayne Abernathy, Assistant Secretary for Financial Institutions, Department of the Treasury, presiding.

PRESENT:

WAYNE A. ABERNATHY	Acting Chairman
CHARLES S. ABELL	U.S. Department of Defense
SHARON BROWN-HRUSKA	Commodity Futures Trading Commission
BRADFORD P. CAMPBELL	U.S. Department of Labor
WILLIAM CASEY	Office of Thrift Supervision
JOHN J. COONTS	U.S. Department of Housing and Urban Development
JIM COURTNEY	Social Security Administration
JOSEPH E. DONALD, Jr.	U.S. Office of Personnel Management
DONNA J. GAMBRELL	Federal Deposit Insurance Corporation
CAMPBELL GARDETT	U.S. Department of Health and Human Services
EDWARD M. GRAMLICH	Board of Governors of the Federal Reserve System
JOANN JOHNSON	National Credit Union Administration
TERESA NAVARRD NASIF	U.S. General Services Administration
JAMES O'CONNOR	Small Business Administration
JOHN T. O'CONNOR	U.S. Department of Veterans Affairs
MARCY BROWN	U.S. Department of Education
JANE SCHUCHARDT	U.S. Department of Agriculture
COLLEEN P. TRESSLER	Federal Trade Commission
JULIE WILLIAMS	Office of the Comptroller of the Currency
SUSAN FERRIS WYDERKO	Securities and Exchange Commission

ALSO PRESENT:

SENATOR DANIEL K. AKAKA	D-Hawaii
SAMUEL W. BODMAN	Deputy Secretary, Department of the Treasury
LAURA LEVINE	Jump\$tart Coalition for Personal Financial Literacy
CARRIE SCHWAB-POMERANTZ	Charles Schwab Foundation
KAREN TYLER	North American Securities Administration Association, North Dakota Commissioner of Securities

PROCEEDINGS

10:42 a.m.

MR. ABERNATHY: Good morning. Welcome to the Second Meeting of the Financial Literacy and Education Commission. I appreciate your attendance. We had a great inaugural meeting earlier in the year, and it's great to have you all back. That shows the vitality of the work we're involved in.

We are very pleased to have us with us here this morning the Deputy Secretary of the Treasury, Sam Bodman, who is, as some of you may know, an educator himself having taught at MIT a number of years, teaching chemical engineering, I believe.

And we're also privileged to have Senator Dan Akaka here, who was very instrumental in the legislation that created the Commission.

And we'd now like to turn the time to the Deputy Secretary.

MR. BODMAN: Thank you, Wayne. Welcome to the Treasury. That constitutes my major message of the day. We're very happy to have you here. I sincerely thank Senator Akaka for being here, and Governor Gramlich from the Fed. The senator was instrumental in the creation of this organization, so we're particularly pleased to have him here with us.

I also want to thank all of our special guests and the members of the Commission who are here. I want to thank everybody for their hard work in organizing this event, and for everybody's effort in helping us raise the awareness of, among our citizens, the importance of financial education.

And as part of my life in Boston, before I came here, I was working for Fidelity. And I have enormous respect for the work that this particular group does based on my experiences there.

I'm very pleased to see such widespread government participation here today. There are many federal and state agencies represented, as well as the United States Congress, so we have a full complement of representatives of the various parts of our governmental structure. The commitment that everyone has made to improve financial literacy in America is shared by many in the private sector, and we appreciate those from the private sector that are here today as well.

As you probably know, this Commission was created by the Fair and Accurate Credit Transactions Act, which was signed into law by President Bush last fall.

And this being the second meeting, I recall that Secretary Snow and Chairman Greenspan were here to open the inaugural meeting in January. And it is my personal pleasure to be here with all of you today.

At today's meeting, you'll be discussing the activities that have transpired since the January meeting. I can attest, as a member of the Treasury, that the Treasury Department has been very active in this area, particularly during the month of April, which as you presumably know is Financial Literacy Month. During that month, we had senior Treasury officials participating in a number of activities that were designed to heighten awareness among our citizens about the importance of financial education.

I recall on the day that many of us were deployed, the Secretary was in New York City and visited a grade school there. I had the pleasure of visiting the U.S. Kids Development Center here in Washington, which is a daycare center for the children of Treasury employees, White House employees, and employees of the Veterans Administration.

I visited with a group -- I relived my youth, really -- I was visiting with a group of 30 some odd pre-schoolers, and I brought with me from the Mint, which is part of the Treasury, a roll of brand new newly minted nickels. And we talked about the importance of savings, or at least we tried to talk about the importance of savings. And we distributed a nickel to each of the children. And when I asked the children, what do you do with money -- first talked about what money was and then they seemed to have a pretty good idea of the that -- you'll be happy to know, Governor Gramlich, that the youngsters were well into currency and understanding what it was used for. And when I asked them, what do you do with money, one of the four year olds right on cue said, you save it. And so I had with me a piggy bank. And we passed a piggy bank around. And 29 of the 30 children all dropped their nickel into the piggy bank. The 30th one was seated near my assistant, Jen McAndrew, and he looked up at her and said, I don't want to put my nickel in that piggy bank, I want to spend it, would that be okay? And she said, that would be just fine.

So we had quite a time, and it was a lot of fun, that Treasury folks were around the country visiting with -- I had the younger group, and

we were working everywhere from the pre-schoolers up through teenagers through high school and so on. It was a lot of fun. There were a lot of other, I'm sure, more important and more tangible examples of the progress that we're making in this area, and I know you'll be hearing from several groups about best practices in financial education.

I encourage all of you to share ideas and strategies. And as we continue to learn from each other, we will also recognize that there is much to learn from the larger financial education community, which is well represented here, and extends well beyond the Commission membership. And so I'm very hopeful that we will continue to discuss ways to widen our reach and bring new ideas into this effort.

Again, I want to thank all the Commission members and all of you for being here today. You're going to help us improve the financial literacy of this country, and I'm very grateful for you in doing so.

I will apologize -- I've already apologized to the Senator -- that we're starting a bit late. And I hoped to stay for his remarks, but they've got me scheduled across the street, so I will have to excuse myself. But I do want to welcome everyone here and tell you how pleased, on behalf of the Secretary, we are to have you here in the Treasury, particularly in the so-called Cash Room, which is a room of great historical importance.

So with that, we'll depart, Wayne, and appreciate your help.

MR. ABERNATHY:

Thank you very much, Deputy Secretary Bodman. We appreciate your attendance and the continued support that we have received from the highest levels of Treasury in carrying forward the mission of the FLEC, as well as all of the other assignments that we do at the Office of Financial Education and our financial literacy efforts.

As I mentioned, we're very pleased to have one of the authors of the founding legislation of this Commission, Senator Daniel Akaka. Some of you may know Senator Akaka, in earlier parts of his career, was a school teacher himself and a school principal, and so has a deep love for educating people, particularly educating youth.

I would now like to turn to Senator Akaka, to share some of his remarks. Senator, you can speak from where you're seated, or you can use the podium, whichever you prefer.

SENATOR AKAKA:

Thank you. Can you hear me? Thank you very much Secretary Abernathy. Thank you for having me here this morning to join you

in an event that for me tells me there's hope for our great government.

To know that this was passed in December, and to know that by January, the members of the Commission were appointed, and to know that you already have a meeting, and to know that you're here today, makes me feel so happy and elated about the way things are moving for financial literacy and education here in our country.

I can't help but think of what Secretary Bodman just mentioned. And I hope what he said is a trend. To know that 29 of the 30 put their money in the piggybank tells you something. And I hope our youngsters of the future will be as such, and that trend would be to 29 to one. And of course, the one that spends, we will be concerned about, because we hope that he'll make good choices in the way he spends his money.

Let me first say aloha to all of you. Coming from Hawaii, I can't begin without saying aloha because aloha is a greeting. It means love, and love makes things happen for the best. And I look upon the work that you are doing as commissioners to be very important to the future of our country and the children of our country.

And I wanted to say mahalo nui loa. Mahalo in Hawaii means thank you. The Hawaiians felt that that wasn't enough, so they added the word nui, and nui means big. So you can say mahalo nui, which is big thanks. That wasn't enough. They added the word loa, and loa means long like the mountain, Mauna Loa. And so, mahalo nui loa means thank you, big and long.

And so this is the extent of my gratitude to all of you for this, and for all that has happened, because I think this is great for our country. I'm delighted to have this opportunity to address the Financial Literacy and Education Commission, which was established, as you know, with a very specific purpose. And I want to dwell on that for a bit here.

Quoting from the conference report for the Fair Credit Reporting Act that was mentioned by the Secretary, which establish the Commission, "The Commission shall serve to improve the financial literacy and education of persons in the United States" -- and I emphasize -- "through development of a national strategy to promote financial literacy and education."

That's something you've heard many times, I'm sure, before this moment. I recognize the efforts of my colleagues, Senator Sarbanes,

Senator Enzi, Senator Stabenow, in the creation of the Commission. And I thank them for their leadership in financial and economic literacy.

I also commend all of you here today for providing from each of your agencies the federal leadership that is needed on this important issue, and for working to move the Commission to produce the national strategy mandated in the statute. And I hope that we'll move along as rapidly as we can.

In the formation of the program sponsored by your agencies, we have acknowledged that too many Americans are financially illiterate. Americans of all ages and backgrounds face increasingly complex financial decisions.

As members of the nation's workforce, managers of their families' resources, and voting citizens, many find these decisions confusing and frustrating because they lack the tools necessary that would enable them to make wise personal choices about their finances.

Now, although there are signs of improvement in the economy, statistics show that there is an even greater need for improved financial literacy.

For instance, last year consumer debt increased for the first time to more than two trillion dollars. Personal bankruptcies nearly doubled in the past decade, including more than 1.6 million people who filed for personal bankruptcy in fiscal year 2003.

I know that we individually and collectively are moving toward reaching the real people behind these statistics. And a national strategy will only make these efforts more effective. I look forward to seeing the fruits of the Commission's efforts as you move toward constructing this strategy.

It is vitally important that as the statute dictates, state and local governments, and private, nonprofit and public institutions, are involved in the creation and implementation of this national strategy.

Another challenging task that you have in front of you is to develop methods to increase the general financial education level of current and future consumers of financial services and products, and also enhance the general understanding about these services and products.

The Commission is also charged with reviewing federal activities designed to promote financial literacy and education, and developing a plan to improve coordination of such activities.

It will also be important to identify areas of overlap and duplication among federal financial literacy and education activities, and propose means of eliminating such overlap and duplication to ensure that federal efforts are more efficient.

I look forward to viewing the online clearinghouse and the resources it will have to offer, and being able to refer constituents to the toll-free hotline, as well as being able to point out to my grandchildren and great-grandchildren the value of the concepts transmitted by the coordinated multimedia campaign.

All of this, as stated in the Commission's statute, provides all of you at this table with a, what I consider, tall order to fill. Because you are dealing with a relatively tight deadline for the production of the national strategy of 18 months from enactment of the law.

I expect the collaborative efforts of the Commission to be as successful as many of your own individual agency efforts thus far. As you move forward on your strategy, I want to leave you with a part of my financial literacy philosophy. I see financial literacy as having three key components.

The first is education. We must take steps to ensure that individuals develop a base of knowledge so that they can participate effectively in this modern economy. We need more financial education to our elementary and secondary schools, and college campuses. In addition, we must find opportunities to get information to individuals at the appropriate times throughout their lives, as their financial situations and needs change.

The second component, is consumer protection. We must ensure that individuals are provided with the relevant, necessary and timely information to make informed financial decisions. We must also appropriately regulate practices to provide additional protection against predatory or unscrupulous practices, such as refund anticipation loans.

The third component is to provide opportunities for individual empowerment. For example, having a bank or credit union provides low and moderate income families alternatives to high cost fringe financial services, and allows them to keep more of their hard earned

income. Accounts provide opportunities to save for a down payment on a first home, education expenses or an unexpected illness.

You will see these three components reflected in my financial literacy legislative efforts. I wanted to share these with you, this morning, and as you proceed with your mandated tasks.

The Commission will go a long way toward coordinating the many economic and financial literacy products and programs sponsored by the federal government. And I look forward to continuing working with all of you, and champions in the Senate and House, to ensure that your efforts are a resounding success.

The beginning is good. In Hawaii, we always look upon the beginning as being very important, to the point where at beginnings we look towards dedications and consecrations so that the rest of it is done well and right.

And so with that, I want to wish you folks well. I'm so happy, I've got to tell you, to see you all of you here this morning. I want to say thanks very much to Secretary Abernathy for his leadership in this. And to all of you, I wish you well. Aloha.

MR. ABERNATHY:

Thank you very much, Senator Akaka, for a very good keynote for our meetings here today, and we certainly encourage you to remain for as much of the meeting today as your schedule will permit.

In our first meeting, one of our two significant items on the agenda was the creation of two subcommittees to deal with specific mandates given to us in the statute. And this is an appropriate time for us to receive reports on the subcommittees.

We appreciate the service of Commissioner Sharon Brown-Hruska, who has chaired our subcommittee on the development of the website. And we also appreciate the work of Donna Gambrell from the FDIC, who has chaired our subcommittee work on the 800 number.

I would like to at this time turn to Donna Gambrell to give us a report on how we're doing with that. You can speak from that position there, or if you want to come to the middle here and address everybody. Whichever you feel more comfortable with.

MS. GAMBRELL:

Thank you and good morning. The toll-free hotline subcommittee is comprised of representatives from the FDIC, the General Services Administration, the Office of Thrift Supervision, the Department of

Treasury, and the Department of Health and Human Services. I thank them for their contribution so far in this very important project.

And I wanted to spend a few minutes this morning telling the Commission members what the subcommittee has been doing these past several weeks, as well as our approach for going forward on the toll-free hotline.

The subcommittee has developed an action plan, containing a phased in approach for the hotline service and the delivery of financial education information to callers as early as August of this year.

The first part of this is phase one. And we've heard speakers this morning already talking about the importance of heightened awareness and the need to make sure that the public is aware of not only the importance of financial education, but how to obtain information, resources and material on this very important topic.

Through the contributions from Commission member departments and agencies, you have in front of you a blue folder, the content for our proposed financial education toolkit. This kit will be provided to all persons who call the financial education hotline. Our subcommittee reviewed numerous submissions from your department and agencies, and chose to focus the content on the areas of basic financial education in several important areas: savings, credit, home ownership and retirement planning.

GSA's Federal Citizens Information Center, or FCIC, in Pueblo, Colorado, with its proven capacity and experience as an information clearinghouse, has secured a toll-free number, and will provide hotline operators supporting both English and Spanish languages, who will take incoming requests for the toolkits. FCIC will also assemble and mail the toolkits to those persons who are requesting the information.

Going forward in fiscal year 2005 and beyond, pending decisions on funding levels, operators, telephone operators, will be trained to further tailor responses to the public's request based on individual caller needs through the specific mailings. They'll be able to refer callers to relevant websites, again with information on these websites that will provide very pertinent and appropriate financial education information and resources. And the operators will be able to provide phone numbers of federal departments and agencies that will be able to answer additional questions.

The hotline will serve additional languages through third-party translators. And the financial content areas will be expanded to include topics such as basic banking, taxes, consumer rights and protections, and debt counseling.

The hotline will also help the government better serve the public by gathering first alert information on trends and information that have not yet been met, and certainly will identify some emerging issues as well.

We really see phase one as a positive beginning to a coordinated financial education effort that will allow the Commission to share existing federal government resources with the public right away. The Commission will also obtain important preliminary information on the volumes of requests for financial education information, and where the demand resides.

This information will help us shape future efforts and, of course, further tailor our work as we move forward in this important work that we're doing.

Again, I thank the subcommittee for their efforts thus far, and we look forward to working with the Commission to implement the financial education hotline in August.

Thank you.

MR. ABERNATHY: Thank you very much, and thank you for your good, hard work in taking on that task.

Any comments or questions people may have, other members of the subcommittee that might want to add something or any questions they'd like to put to Chairman Gambrell?

MR. COONTS: I have a question.

MR. ABERNATHY: Please go ahead.

MR. COONTS: I'm John Coonts, representing HUD. I'm looking at the contents, the inventory of the toolkit. And if I understood your remarks correctly, the financial education information in the area of saving, home ownership, but I don't see anything on home ownership in the list that's there. If somebody can -- from the committee can get in touch with me, I would be more than happy to try to coordinate getting some information on home ownership for that.

MS. GAMBRELL: And we'll be happy to contact you. Actually, we are planning to meet again on May 28th and taking a final look at all the publications. Thank you, John.

MR. ABERNATHY: That's an outstanding suggestion. Thank you. Any other comments or questions for the work of that subcommittee?

Okay. Let's turn to Commissioner Sharon Brown-Hruska to give us a report on how we're doing on our website. I appreciate the work that you've put into making sure that that is a successful subcommittee.

MS. BROWN-HRUSKA: Thank you very much, Secretary. I am Sharon Brown-Hruska, as he mentioned, and we have constituted a committee of which many members I see around this table and in the audience. And I just want to commend everyone's efforts and everyone's work in this regard.

At the previous meeting of the Financial Literacy and Education Commission, a subcommittee was formed to develop a strategy to establish and maintain a website to serve as a clearinghouse for information on financial literacy.

The subcommittee held its inaugural meeting on March 15, to outline and adopt a plan to fulfill its mission. At that meeting, the subcommittee agreed to the formation of an interagency working group to conduct research and provide recommendations regarding the content and technical implementation of the website.

The subcommittee also approved a charter to guide the working groups with respect to expectations regarding their tasks. The subcommittee met recently on May 11th to receive an update from the interagency working group to discuss issues and to provide further guidance to the group.

The working group has made significant progress towards developing an implementation plan for our financial literacy and education website. To date, the following accomplishments can be cited.

In order to provide guidance with respect to what contents should be made available on the website, the working group recommended and the subcommittee agreed that the guiding definition for financial literacy would be knowing enough about managing money to make wise decisions and avoid fraud.

The subcommittee has agreed that the most efficient approach to implementing a website is in the form of a portal, linking to content on other pertinent websites. In addition, the website will implement a parallel pathway, as Commission member agencies will be able to link to the Commission site.

The working group also recommended, at least in the initial stages of development and launch of the website, the decisions with regard to content and web links would be guided by the mission statement, to gather current financial literacy information authored and maintained by members of the Financial Literacy Commission.

Many of our members, however, partner with and have relationships with other organizations that also produce high quality financial education information, and are being considered as sources of material.

In developing our initial list of suggested website links, the subcommittee has agreed to link to sites that are operated or managed by federal agencies.

The working group included for consideration within the scope of this effort some edu- and government- and dot-org websites because of their potential for providing useful information. And as a future endeavor, we will certainly include those sites.

At this time, we're concentrating upon coordinating all federal agency financial literacy materials and other useful existing information. After that objective has been met, we'll identify any additional original content that may need to be developed.

With respect to initial and future implementation of the website, the working group has partnered with the General Services Administration to produce a mockup of the taxonomy of the areas of interest and content to be contained on the website.

Such a mockup, or actually an early phase, could be implemented as a functioning website, with the approval of the Commission, within a short timeframe.

To facilitate an implementation, GSA's Federal Citizen Information Center has identified and reserved potential web addresses for the website. Moreover, FirstGov.gov, the official web portal of the federal government, has agreed to provide preliminary support to host the Commission's portal in its initial stages.

While the working groups and subcommittees have made great strides in developing guidelines and identifying content materials for inclusion on the Commission website, further work is being conducted on the design of a long-term strategy for operating and maintaining a website.

In this regard, the working group intends to develop and analyze a minimum of three alternatives for the long-term implementation of the website. These alternatives would provide different levels of service to those accessing the site.

For each alternative, the working group will provide estimates for the costs and timetables required to implement the particular strategy.

We're also very pleased in our efforts of coordination with the toll-free hotline subcommittee, to develop a joint strategy that would unify our strategies to ensure delivery of integrated content, a multiple avenues of accessibility, usability and value.

For example, in combination with the toll-free number initiative, the subcommittee has accepted the recommendation of its working group to provide an online line that would allow consumers to order a financial literacy education package to be distributed by the Federal Citizen Information Center facility in Pueblo. So the same content that you have in front of you will be available through the website as well.

Finally, at this time, the website subcommittee is coordinating its development and launch of the Financial Literacy and Education Commission website with the anticipated launch of the toll-free number. We want to be consistent with the implementation of a national strategy that is really whiz-bang, and we're really looking forward to that.

MR. ABERNATHY:

Thank you very much, Commissioner. Any questions or comments on the work of the subcommittee?

I'm certainly very pleased at the amount of progress that has already been achieved in a very short period of time on both of these subcommittees.

As you may recall, membership on the subcommittees is purely voluntary. Any of your agencies that wish to participate on either or both of the subcommittees are free to do so. I think a little over half of the Commission members have joined one or the other or both of

the subcommittees, and that opportunity remains open, if your agencies have not yet participated and would like to.

Any more questions about the subcommittee work?

The next step that we would like to do, the one piece of new business, if you will, for today, is in connection with the already much referred to national strategy that the legislation requires us to put together within 18 months.

We'd like to propose that we put together a working group to create the draft, if you will, the outlines for that national strategy, to then present that here to the Commission.

The proposal that I would put before you today is that the Treasury would chair that working group, but that its membership again would be open to any members of the commission that wish to participate.

Any comments or questions about that proposal? Any objections?

Okay. So moved and adopted. Thank you very much.

One of the key findings I think that we have discovered in our efforts to promote financial literacy is that there are a lot of excellent programs already in place throughout the country at various levels, at the government level, private sector level, federal level, state level, and local government level.

And much of the challenge is helping people understand what are the best practices, what's working, what's succeeding. And so we thought a good use of our time here today would be to look at a few of these programs, some of these best practices. At the last meeting, we had the opportunity for each of you to share a little bit of what you have seen that has been working.

Today, we'd like to look a little bit more in depth at four particular areas. We have asked a representative from the state securities commissioners to present to us today.

And we'll lead off with Ms. Karen Tyler, who serves as the North Dakota Securities Commissioner. She'll be speaking to us today on behalf of the North American Securities Administrators Association.

She serves as the Chairman of the Investor Education Section Committee of NASAA. Ms. Tyler was appointed by Governor John Hoeven in 2001 and oversees the Enforcement, Registration, Capital

Formation and Education Divisions of the North Dakota Securities Department.

She came to my office, oh, four or five weeks ago, I think, and presented to me what she has been doing, what NASAA has been doing, and I was just bowled over, astonished at the great degree of work that they have already accomplished, and felt that it's very important for us to see what the states are doing.

And now let's turn the time to Ms. Tyler. Please, why don't you come right up to the middle?

MS. TYLER:

Thank you very much. Mr. Chairman and members of the Commission, good morning to you all. My name is Karen Tyler, and I am the Securities Commissioner for the State of North Dakota. And I also serve as the Investor Education Chairperson for the North American Securities Administrators Association, which is also known as NASAA.

I am honored to be here with you this morning to discuss the role of state securities regulators in the financial education community, and to discuss what it is that we are doing to help our constituents build financial knowledge and financial security.

State securities regulators share a common concern and a common commitment with the members of the Financial Literacy and Education Commission. We share your concern about the deficient level of financial literacy in this country, and the impact that it has on personal financial decision-making. And we also share a common dedication and commitment to doing something about it.

The NASAA Investor Education Section was created several years ago by the NASAA Board of Directors to help support the financial education efforts of our members. Currently, the section has five focus areas, youth outreach, senior outreach, affinity and ethnic based outreach, online trading awareness, and general education program coordination.

Most state securities regulators have established education departments or divisions within their agencies. The result is an effective network of dedicated professionals delivering financial education at the grassroots level.

To better frame the nature of our work in the area of financial education, I would like to briefly share with you more detailed information about two state-run initiatives.

The NASAA Youth Outreach Project Group recently created a program blueprint for NASAA members to use in developing and hosting teacher-training academies. The training academies are designed for teachers of both elementary and secondary grade level students, and the primary objective of this type of event is to help teachers integrate financial education into the classroom curriculum.

Through our training academies, we help teachers develop the knowledge they need to effectively teach personal finance concepts, and we provide them with the tools and resources to efficiently deliver financial education to their students, starting as early as kindergarten through the 12th grade.

Several of our members host this type of event on an annual basis, and have done so for many years. The newly created blueprint provides a step-by-step program development guide and brings together best practices from existing successful teacher training programs.

It covers such topics as obtaining curriculum and financial resources, recruitment of teacher participants, and qualifying the event for continuing education credits.

The other program I would like to share with you this morning spotlights our efforts in the area of senior outreach. Before I go into detail on this program, I do want to emphasize that this is an area of great concern for state securities regulators. A variety of factors, such as stock market volatility, low interest rates, rising healthcare costs, and longer life expectancies have converged to create an environment in which seniors are increasingly vulnerable to investment fraud and exploitation.

To help fight this problem, the NASAA Senior Outreach Project Group is developing an anti-fraud program based on a highly successful initiative that was launched by our California member two years ago.

The Seniors Against Investment Fraud Program, also known as SAIF, uses peer based volunteerism to effectively reach the senior demographic. In California, over 1,500 volunteers have been trained to deliver this innovative program. Volunteers include seniors, law enforcement professionals, consumer and advocacy groups, and senior service providers.

The program structure was driven by research that identified, among other things, that seniors are most receptive to educational messages that come from other seniors. Among the benefits, the SAIF program provides seniors with a toll-free call center to utilize before investing in any type of financial product. Seniors are encouraged to utilize an investor's checklist, which empowers them to ask certain questions of the solicitor that can mean the difference between making a suitable investment and falling victim to a fraud.

The SAIF program helps seniors confirm if the salesperson and company are properly licensed and registered, identify possible red flags associated with the solicitation, locate valuable resources to assist with the investment decision-making process, and obtain information on current scams that specifically target seniors.

The Senior Outreach Project Group will deliver this anti-fraud program development guide to the full NASAA membership in November of this year, and the group will facilitate the rollout of effective peer based anti-fraud education programs across our member jurisdictions.

NASAA looks for opportunities to join forces with other members of the financial education community. We have in the past collaborated with the Department of Labor, the Department of Defense, the Federal Trade Commission, and the Securities and Exchange Commission.

The NASAA network of financial education professionals can be an excellent delivery vehicle for state/federal collaborative education programs.

In closing, I would like to extend my gratitude to the Commission for your invitation to share some time and information with you this morning. States securities regulators stand at the ready to assist the Commission and serve as a resource as you move forward in developing and into implementing a national strategy to improve the level of financial literacy in this country.

Thank you all for your time and attention this morning.

MR. ABERNATHY:

Thank you, Commissioner Tyler. Anyone have any questions that they'd like to ask the Commissioner while we have her here with us?

MS. GAMBRELL:

Commissioner, I know this was not part of your presentation today, but can you just spend a few minutes talking about the ethnic,

affinity and ethnic based outreach, exactly what that entails and who you're working -- organizations that you're working with?

MS. TYLER:

We have recently merged two project groups, the Affinity Group and Ethnic Group. And in the past, they have developed education resources, primarily education manuals that can be used through certain venues.

We merged the groups so that they can identify strategic distribution venues, get the materials on our website, and begin partnering, if you will, with the appropriate organizations to help utilize these materials that have been developed.

MR. ABERNATHY:

Why don't you grab a mike there? Thank you.

MR. O'CONNOR:

Regarding the online training component that you mentioned, how successful has that been?

MS. TYLER:

The primary initiative of the Online Trading Awareness Project Group has been to develop and support the Investing Online Resource Center. And the website is investingonline.org.

It's an excellent resource for people who think they may want to begin trading online or explore trading online. They can actually engage in simulated trades and gather more information about online trading. And the primary objective of that project group has been to keep the content fresh, keep the websites current.

MR. ABERNATHY:

Other questions, comments? Well, thank you very much, Commissioner Tyler. I'm looking forward to making sure that in all that we do at the federal level, we're closely allied with NASAA, the state commissioners, and the other state resources. Thank you.

Now I'd like to turn for a few moments to the private sector. There are many corporations that have outstanding programs in financial literacy. We would like to request that Ms. Carrie Schwab-Pomerantz come here to the presentation spot.

Ms. Pomerantz is the President of the Charles Schwab Foundation, and she's the leading advocate for individual investors, and dedicated to the goal that we share of raising the financial literacy of all consumers. And we've asked her to give a presentation on what they're doing at the foundation.

MS.

SCHWAB-POMERANTZ: Thank you, Secretary. Thank you, everyone, for having me here today. As Secretary Abernathy mentioned, I am -- or Charles Schwab & Company is an advocate for the individual investor.

And as you probably guessed by my last name, I've been working there for many, many, many years. And we were founded on the premise of democratizing investing and making it more accessible by demystifying the -- demystifying the process of investing and saving. So financial literacy is very important to us.

And that's why I am so proud to be here, to share with you a little bit about what we're doing here at Schwab.

Let me first start with a survey that we just conducted. We wanted to better understand teens' attitudes and behaviors around money and investing, and also get a glimpse about their financial knowledge, which actually Jump\$tart has a hold on that.

But we found some good news and some bad news. First, we found that 80 percent of the respondents -- and these were 13 to 18 year olds -- recognized the importance of understanding money management in order to be successful adults and to avoid debt.

But then the bad news is, unfortunately, they -- well, they recognize that they need this knowledge, but they don't have the knowledge. Thirty-three percent say that they believe that Social Security will pay for a comfortable retirement, which they haven't been reading the newspapers.

Twenty percent believe that when you take out a loan, you don't pay interest. And another quarter believe that financial aid will cover completely their college costs.

In addition to this lack of knowledge, what we found is that 40 percent of these kids believe that money management is complicated and boring. And young women, or these female teens, were more likely than the boys to say this very thing, which I've seen in my own work. Far more women than men lack confidence in their abilities with money, and so there's -- it goes on for generations.

Also good news, the vast majority of their parents do talk about the importance of saving. However, they say that teachers are the least likely source of information on personal finance, which is not new news to us that there is a gap in our educational system, despite the

fact that we know that ten hours of training in this area can make a big difference in their lives.

So let me tell you a little bit about what we're doing at Schwab. We're very excited about a new program that we have collaborated with the Boys & Girls Club of America. And we have created a program called Money Matters: Make it Count.

And the reason that we chose Boys & Girls Club is first their experience with reaching kids, knowing how to engage them in a fun matter.

But also, which Secretary Abernathy, you mentioned that there are so many programs out there, which is the case. And what they offer us is a distribution channel of four million children, in 2,400 clubs, in the inner city, in the suburbs, in Native American land, and in military bases. So we've got a broad base of kids, especially from disadvantaged circumstances.

So we created this program together, which is actually being launched this week. And it consists of a teen guide and a facilitator guide with lots of exercises, extremely interactive and fun. We also have an accompanying website that is coming up that will also teach them all these various skills as well in money management.

We have five modules that we teach the kids. Some of the activities are how to manage a checkbook, how to evaluate credit, how to budget for college. A lot of these kids don't believe that college is in their reach. And so they learn different ways on how they can actually obtain that college degree. Also, basics of investing and entrepreneurship.

Now with kids, you've got to give them some type of recognition, little bit of bribery. So we have an extensive recognition program and scholarship program for those who excel at the program, and those scholarships are for college.

And then the other component that we're very excited about is that we have a volunteer component, where we're encouraging our 16,012 employees to share their financial expertise at the local club level.

Now the program has been piloted in 20 locations around the country late last year, and it met with great success. The kids found it useful and interesting, as opposed to boring and complicated.

And just to share a couple stories, there was one young woman in Minneapolis, who had already started her job, and she went to a

check cashing company to cash her checks for 12 dollars a check. And since taking this program, she realized the benefits of opening up a savings and checking account, and is now saving herself 24 dollars a month. And she's so excited about this that now she's going to open up a CD account.

Also, another young woman in San Francisco, she was very excited also again about the benefits of saving. And she went ahead and opened up her own account, encouraged ten other club members to do the same, and five girlfriends from school.

So we can see that this program is having a snowball effect, not just that the kids who are being taught but they're teaching their friends as well.

So the whole purpose of this program is about making learning about money cool. And we believe by the evidence that we are obtaining that goal right now. And our goal is to reach 36,000 teens in the next two years. And we feel very excited and pleased about this relationship with the Boys & Girls Club. They really have this magic on how to reach kids, and make very serious topics fun.

So to conclude, I just want to say thank you so much for the work that you're doing on behalf of financial literacy. It's funny that we live in a country which has the most dynamic economy in this world, yet we have a lot of catching up to do with teaching our citizens about personal finance.

So your work heartens me and also of us at Schwab. Thank you very much.

MR. ABERNATHY:

Thank you. Does anyone have any questions or comments for Ms. Schwab-Pomerantz?

I've got one brief one that I found to be one of the key challenges that we have faced. We have excellent programs from a number of different sources around the country. We have a great need, but we have trouble matching the two up, and helping people who have the need, one, recognize they have the need, and, two, how they can get it solved.

What can we do to bridge that gap? What have you found that can help do that?

MS.

SCHWAB-POMERANTZ: Well, that's really why, when we decided that we were going to put a big focus on financial literacy, we went through an extensive process of looking for various partners.

And, as I mentioned, the reason we chose Boys & Girls Club is because we knew we had the financial knowledge, and that there were so many great programs out there.

So we didn't need that expertise anywhere. What we needed was the distribution channel. And so Boys & Girls Club was a perfect channel for us.

We have access to four million kids. And that's really what you need, is the distribution channel to get these out. And then you need to have an expert, someone, an organization, that knows how to engage these kids. Because otherwise, they're going to tune out, and we're never going to solve this problem, the lack of financial literacy. It needs to start with the young people so we can make generational changes.

MR. ABERNATHY: Thank you. Outstanding. Please.

MR. O'CONNOR: Just a comment. I think the guide that you talked about is commendable, but I think it's great that you're including an entrepreneurship for young people. I think that's really an important aspect of understanding finances.

MS.

SCHWAB-POMERANTZ: Well, great, thank you.

MR. ABERNATHY: And certainly when we see how so many new jobs are created by the entrepreneurs, small businesses, a real key of growth in our country.

MR. DONALD: Just a second -- could you elaborate on, you said earlier that just ten hours of training would make a big difference. Can you elaborate a little bit about what kind of training and how that might get into the school systems?

MS.

SCHWAB-POMERANTZ: Yes. This is actually a study that Jump\$tart conducted, and polled kids after having personal finance in the schools. And it was a reaction and their knowledge that had changed.

Also, I know that Stanford University had a study in 1997 -- maybe you're already aware of it -- but it did -- they had a very extensive

study that showed that when there was personal finance in the schools, the savings rate and the net worth of that state tended to be higher than others that did not.

And in fact, our plan is to also have an evaluation, extensive evaluation of this program to see how we are moving the needle.

MR. ABERNATHY: Any other comments, questions?

Well, that's a very good entree to our next presenter. Thank you very much.

Our next presenter before us today is Ms. Laura Levine. Ms. Levine was recently appointed Executive Director of the Jump\$tart Coalition for Personal Financial Literacy, headquartered here in Washington. Ms. Levine in her past was Director of the NASDAQ Educational Foundation, which supports financial markets education and research. And we're just very pleased to have her present to us today.

MS. LEVINE: Thank you, Secretary Abernathy. Excuse me. Good morning. As the Secretary said, I'm Laura Levine, Executive Director of the Jump\$tart Coalition for Personal Financial Literacy based here in Washington, D.C.

And I'd like to thank the Commission for inviting me here today to talk about the Jump\$tart Coalition, and specifically to talk about our recent survey of financial literacy among high school students.

Before I begin, though, I'd like to thank and commend the members of this Commission and members of Congress who were instrumental in establishing this Commission.

Financial literacy is such a multifaceted, multidisciplinary issue, and I believe that it's very significant that you've convened a diverse group of agencies to address it and to coordinate your efforts.

For those of you who are not familiar with Jump\$tart, we, too, are a diverse coalition of nonprofit organizations for-profit businesses, and government entities who are working together toward the common goal of financial literacy.

Jump\$tart now includes about 150 national organizations, and we now have state coalition activities in most of the 50 states.

Jump\$tart's partners are among the most well known and well respected organizations in their respective sectors, including each of

my co-presenters here this morning, as well as some of the agencies represented here on the coalition.

Each member of Jump\$tart contributes a unique perspective and expertise in working together. We're a stronger advocate and more complete resource for the advancement of financial literacy.

Jump\$tart's mission is to improve the financial literacy of young adults, and one of the ways we support this is through evaluation. In 1997, we conducted our first survey of high school seniors to test their knowledge in four areas of personal finance, income, money management, saving and investing, and spending.

At that time, we were dismayed to learn that participants answered on average only 57 percent of the questions correctly. On a standard scale, where a 90 or above is an A, 80 is a B and so forth, a score of 57 would be a failing grade.

But from that point, the news got worse. When we conducted the survey again in 2000, the average score dropped to just shy of 52. In 2002, the average score on this survey declined even further, to 50.2 percent. In other words, students who participated barely got half of the questions right.

We conducted the survey again in 2004, and as in previous years, the survey was administered by Dr. Lewis Mandell, a professor at the State University of New York at Buffalo. And it was given to students in a class that would not normally include personal finance, a class such as English or history, to ensure a cross section of students.

Dr. Mandell used a computerized sampling process to select schools at random, including both major population centers and rural areas.

We released the results of this survey last month, and this is what we learned. The average score for participating 12th graders was 52.3 percent overall. And while that's hardly a result to cheer about, it does mark the first time since we began this survey that the average score has improved.

We're cautiously optimistic that this indicates that efforts in financial education are beginning to take effect.

Now students who indicated that they took an entire semester course in money management and personal finance scored better at 53.5 percent, while students who took a course in which a portion of the

course, such as a week or more -- and this is what Carrie was alluding to -- was devoted to personal finance scored a little better than the average, 52.7 percent.

Students who took an entire semester of economics scored 53 percent, while somewhat oddly, students who took a different course but that included at least a week or more focused on economics, did slightly better, and they scored 53.2 percent.

But students who played a stock market game in school did noticeably better, and they scored on average a 55.8 percent.

Through the years -- through this year's survey, we also learned that parents play a very important role in financial literacy. Over 58 percent of students who participated in this survey said they learned their money management skills at home.

And again, as Carrie mentioned, only 19.5 percent of the participants said they learned about money at school, while 17.6 percent of the students who participated in the survey said they learned through their own experiences. And only a very small percentage said they learned through their friends or through the media.

The students whose parents had college degrees scored an average of 55.4 percent on the survey, so noticeably different than the overall average.

Students whose parents only completed high school, or started but didn't graduate from college, did slightly less well. But students whose parents did not finish high school did significantly worse, and they scored on average of 44.6.

The 2004 survey also reminded us that students' financial literacy varies among different topics. Teens have a much better understanding of income than of the other incomes.

On questions related specifically to income, students got 63 percent of those questions correct. They got 55.4 percent of the questions on spending correct. And in questions about money management, students scored only 45.4 percent.

Sadly, on questions related to saving and investing, students only got 41 percent of those questions right.

The 45 minute Jump\$tart survey was taken this past December, January and February by 4,074 high school seniors at 215 schools in

33 states. It was funded generously through the Merrill Lynch Foundation and involved the efforts of teachers, state coalition volunteers, and members of the National Business Education Association from all across the country.

We plan to continue to conduct this survey biannually. The survey, in its entirety, can be downloaded from the Jump\$tart website with or without the answers, and the version with the answers also includes the survey statistics.

The press release announcing the survey results and summarizing the findings can also be found on our website at www.jumpstart.org. And we hope that the Commission will find this information useful in its work.

The survey reconfirms our belief that there's still much to do in the area of personal financial literacy, and I thank you for this opportunity to address the Commission. I hope we can assist you in your work. Thank you.

MR. ABERNATHY: Thank you, Ms. Levine. It's both sobering, but also some lights of hope there, as well, so we appreciate that.

Anyone have any comments or questions for Ms. Levine?

MR. COONTS: Have you done any survey of adults in the 30 to 40 range to compare, or a baseline to see if there's any improvement?

MS. LEVINE: No, we haven't. Jump\$tart generally focuses on education, K through college.

MR. ABERNATHY: I think, John, you emphasize an important point, though. And your survey pointed out a large number of young people learned from their parents, but you wonder what are they learning from their parents, and do their parents have a good basis of solid information. Sometimes, they don't. Most the time, they do. But there's room for growth there and improvement.

Any other questions or comments?

Thank you very much. Batting cleanup today as our presenters, we saved one of our Commission members to present to us today on, in a little more detail, what his agency is doing. That's Governor Edward Gramlich from the Federal Reserve.

Ed doesn't need much of an introduction, but I'm going to give it anyway here, so, before you take the mike away.

I want people to understand what a strong educational background Governor Gramlich has. Many of you may know, but just to make sure that you do, he previously served as Dean of the School of Public Policy at the University of Michigan. He also served as Professor of Economics and Public Policy at the University of Michigan, and Chairman of the Economics Department, and Director of the Institute of Public Policy Studies.

I will now turn the time to Governor Gramlich to comment on what the fed's been doing.

MR. GRAMLICH:

Thank you very much, Wayne. I'm delighted to be here. The Federal Reserve System has a long history as a promoter and provider of consumer education. An increasingly complex global financial system requires consumers to have a strong working knowledge of financial concepts. To highlight the importance of financial education and to make people aware of the multitude of financial education resources that are available to them, the Federal Reserve System launched a national public campaign that began in May 2003.

But before we launched a public campaign, we began putting together a serious program of workplace education for our own Board employees. In November 2002, we sponsored a roundtable with fifteen to twenty employers that we identified as having active workplace education programs. Attendees, representing Reserve Banks, private corporations, and government agencies, discussed goals, plans, and how to get started. This group suggested some key features that we built into our own program. One was to make financial education a lifetime responsibility, for us and our employees. Another was to keep information current, relevant, and responsive to changing conditions. A third was to provide information through a range of vehicles.

From this session we gathered information on best practices and formed an internal task force to plan, coordinate, and evaluate these efforts. The task force developed ongoing objectives for the program that include:

Increasing employees' understanding of how Board-sponsored benefit programs can contribute to short- and long-term financial well-being;

Improving employees' knowledge of basic financial concepts and improving their capability to make personal finance decisions;

encouraging employees to adopt financial management behaviors that will help them increase their short- and long-term savings and better manage or eliminate debt; and

Evaluating the impact of workplace financial education on participation in Board benefit programs and financial behavior through appropriate metrics.

To carry out our objectives, we use a variety of methods. We host lunch-time seminars, offer morning or afternoon programs, and place articles and educational materials on our internal electronic newsletter. We are also developing an internal web site designed to improve employees' knowledge of finance, benefits, health, and career development issues.

Our programs and educational materials cover a variety of topics. "Making Sense of Your Credit Report" provides information on the factors that can positively or negatively affect a credit report. "College Savings: Making Education Your Financial Goal" discusses education as a financial goal and presents information on Coverdell Education Savings Accounts, U.S. Savings Bonds, and Qualified Tuition Programs as types of savings vehicles for achieving that goal. Programs on estate planning and retirement are offered, as well as seminars on financial planning and advanced investment.

Many of these programs are geared to those employees who have been in the workforce for many years. However, understanding that many of our young people don't receive formal course work in financial matters, we designed a program that is more meaningful to new professionals. This program, which is designed for those young people just entering the workforce, discusses the importance of starting to save at a young age, homeownership, advanced education, and avoiding debt.

Workplace education benefits both the employer and employee. For the employee, more knowledge, one hopes, will result in better financial decisions and overall financial well-being. Employees who are taking maximum advantage of the benefits available to them will more likely have greater job satisfaction, which may result in lower turnover.

For the employer, research studies have shown that employees who are financially healthy are more productive. They are absent less often, spend less time at the workplace dealing with financial crises, and earn higher job performance ratings.

We commend the Commission for recognizing workplace education as an integral component in formulating a national financial education strategy. And we'd also recommend that groups start at home with their own employees, and work out their own

programs. You learn a lot that way and you make your employees better off.

Thank you very much.

MR. ABERNATHY:

Any questions for Governor Gramlich?

Thank you very much, Governor Gramlich. Thank you to all of our presenters here today, and for your participation and attendance at this meeting.

Our next meeting is scheduled for September 23rd, 2004 at 10:30. That's the current plan. Please let us know if that presents any serious problems, and it's not too late for us to make some adjustments in that date if that's necessary. So please be in touch with our support staff.

We intend to do a lot of work between now and then. The subcommittees have done some great work already and have some great plans for the next several months. We will have the working group fully involved, and again remind each of you who would like to participate in that working group to let our support staff know that.

Is there any other business that needs to be brought before the Commission today? If not, we stand adjourned.

(Whereupon, the above-entitled matter was adjourned at 11:53 a.m.)